COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

(Stock code: 2936)

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For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of COASTER INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of COASTER INTERNATIONAL CO., LTD. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(10) for accounting policies on inventory assessment, Note 5(2) for accounting estimates and assumptions applied on inventory assessment, and Note 6(4) for details of allowance for inventory valuation losses. As of December 31, 2018, the balance of inventory amounted to NT$ 3,003,494 thousand, constituting 61% of consolidated total assets.

The Group is primarily engaged in the sales, import and wholesale of furniture. The Group purchases merchandise mainly from Asian suppliers which are then sold to American small and medium local retail stores, online shops and large chain stores. As the Group has many warehouses in America and acts as a logistics center for the sellers to ensure instant and sufficient merchandise supply, inventories are a significant portion of the Group's consolidated total assets. The Group measures inventories at the lower of cost and net realisable value. For inventories aged over a certain period and for items individually identified as obsolete inventories, the net realisable value was calculated based on historical data of the degree of discounts required for inventory clearance. As the changes in net realisable value of inventory would have an impact on inventory value, the determination of net realisable value involves significant judgment, and considering that the inventory is material to the financial statements, we identified the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. We assessed the reasonableness of policies on loss for market value decline and obsolete and slow-moving inventories, including the determination basis of net realisable value, the source of historical data of discounts, and the reasonableness of the basis of individually identified obsolete inventories.

B. We obtained an understanding of the inventory management process and observed the annual stock take to assess the effectiveness of management's classification and controls over obsolete and slow-moving inventory.

C. We obtained an understanding of the appropriateness of the logic of the inventory aging statements, and randomly checked the accuracy of inventory aging statements to confirm whether the information on the statements is consistent with its policies.

D. We had discussions with management to assess the reasonableness of expected sales in the future, and verified a sample of separately numbered inventory against the historical data of discounts, compared the sample to prior allowance for inventory valuation losses and referred to subsequent transactions to assess the reasonableness of allowance for inventory valuation losses.

Estimation of refund liabilities

Description

Refund liabilities are the returns and discounts related to product sales. Refer to Note 4(24) for accounting policies, Note 5(2) for accounting estimation and assumptions on refund liabilities, and Note 6(9) for details and movements in refund liabilities.

Due to changes in technology development and consumption behavior, as well as the growth of ecommerce in recent years, the Group invested in and actively expanded new distribution channels, and sales revenue arising from electronic commerce now represents a major part of the Group's total operating revenue. The Group provides ecommerce customers with discounts based on certain amount of sales. The Group calculates sales allowance based on the discount rate on the contract, estimates refund liabilities based on expected sales and periodically adjusts sales allowance based on actual sales.

The estimation of allowance involves a high degree of uncertainty, as the terms, items and rates are varied with different ecommerce firms, and the calculation is subject to management's judgment, including expected percentage of allowance and expected sales. Thus, we consider the estimation of refund liabilities a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. We obtained an understanding of the internal control process of refund liabilities, including the management of sales allowance agreements and the calculation of refund liabilities which was reviewed by the responsible management.
B. We examined the refund liabilities calculation details, randomly checked the allowance rate for individual customers against individual agreements, to ensure that the sales amount used in the calculation agreed with the sales report and to check the accuracy of the calculation.
C. We examined subsequent payments for refund liabilities, and randomly assessed the reasonableness of the estimated refund liabilities amount against actual payments.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
D. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Penny Pan　　　　　　　　Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan
March 28, 2019

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF DOLLARS)

		US Dollars	New Taiwan Dollars	
ASSETS	Notes	December 31, 2018	December 31, 2018	December 31, 2017
Current assets				
Cash and cash equivalents	6(1)	$ 15,141	$ 462,555	$ 348,475
Accounts receivable, net	6(2)	19,710	602,142	537,906
Other receivables	6(3)	7,322	223,675	281,400
Current tax assets		845	25,829	12,917
Inventories, net	6(4)	98,314	3,003,494	3,690,749
Prepayments		3,916	119,634	100,296
Total current assets		145,248	4,437,329	4,971,743
Non-current assets				
Property, plant and equipment, net	6(5)	3,218	98,284	106,634
Intangible assets		1,414	43,206	35,509
Deferred tax assets	6(20)	9,705	296,503	273,853
Refundable deposits		1,458	44,555	43,118
Total non-current assets		15,795	482,548	459,114
TOTAL ASSETS		$ 161,043	$ 4,919,877	$ 5,430,857

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COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF DOLLARS)

		US Dollars	New Taiwan Dollars	
LIABILITIES AND EQUITY	Notes	December 31, 2018	December 31, 2018	December 31, 2017
Current liabilities				
Short-term borrowings	6(6)	$ 27,630	$ 844,107	$ 1,389,196
Contract liabilities-current		1,666	50,905	-
Notes payable		49	1,491	7,496
Accounts payable		21,677	662,237	605,068
Other payables	6(7)	10,755	328,546	330,078
Other payables-related parties	7	57	1,734	1,749
Current tax liabilities		85	2,587	19,336
Provisions-current	6(8)	2,067	63,159	151,465
Refund liabilities-current	6(9)	2,348	71,739	-
Other current liabilities		40	1,219	52,702
Total current liabilities		66,374	2,027,724	2,557,090
Non-current liabilities				
Deferred tax liabilities	6(20)	6	182	37
Net defined benefit liability, non-current	6(10)	820	25,044	29,149
Other non-current liabilities		3,411	104,203	107,859
Total non-current liabilities		4,237	129,429	137,045
Total liabilities		70,611	2,157,153	2,694,135
Equity				
Ordinary shares	6(12)	25,375	765,557	765,557
Capital surplus		56,079	1,789,584	1,786,070
Retained earnings	6(13)			
Legal reserve		1,806	55,493	52,640
Unappropriated retained earnings		7,734	260,690	306,996
Other equity interest		(128)	(95,752)	(174,541)
Treasury shares	6(12)	(434)	(12,848)	-
Total equity		90,432	2,762,724	2,736,722
Significant contingent liabilities and unrecognised contract commitments	9			
TOTAL LIABILITIES AND EQUITY		$ 161,043	$ 4,919,877	$ 5,430,857

The accompanying notes are an integral part of these consolidated financial statements.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE DATA)

		US Dollars	New Taiwan Dollars	
Items	Notes	2018	2018	2017
Operating revenue	6(14) and 12(5)	$ 398,755	$ 12,013,456	$ 11,913,042
Operating cost	6(4)(10)(18)(19)	(288,605)	(8,694,921)	(8,350,567)
Gross profit		110,150	3,318,535	3,562,475
Operating expenses	6(10)(18)(19) and 7			
Selling expenses		(76,074)	(2,291,918)	(2,245,505)
General and administrative expenses		(33,923)	(1,021,999)	(1,025,515)
Expected credit losses	12(2)	(235)	(7,086)	-
Total operating expenses		(110,232)	(3,321,003)	(3,271,020)
(Loss) gain from operations		(82)	(2,468)	291,455
Non-operating income and expenses				
Other income	6(15)	206	6,190	3,818
Other gains and losses	6(16)	(75)	(2,246)	(22,429)
Finance cost	6(17)	(1,697)	(51,115)	(44,952)
Total non-operating income and expenses		(1,566)	(47,171)	(63,563)
(Loss) profit before income tax		(1,648)	(49,639)	227,892
Income tax benefit (expense)	6(20)	919	27,689	(199,361)
(Loss) profit for the year		($ 729)	($ 21,950)	$ 28,531
Other comprehensive income (loss)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gain (loss) on remeasurements of defined benefit plans	6(10)	$ 61	$ 1,830	($ 2,666)
Exchange difference on translation of foreign financial statements		-	82,172	(271,924)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	(12)	(366)	453
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements		111	(3,383)	5,387
Other comprehensive income (loss), net for tax		$ 160	$ 80,253	($ 268,750)
Total comprehensive income (loss)		($ 569)	$ 58,303	($ 240,219)
(Loss) profit attributable to:				
Owners of parent		($ 729)	($ 21,950)	$ 28,531
Comprehensive income (loss) attributable to:				
Owners of the parent		($ 569)	$ 58,303	($ 240,219)
Basic earnings (loss) per share	6(21)	$ 0.00	($ 0.29)	$ 0.37
Diluted earnings (loss) per share	6(21)	$ 0.00	($ 0.29)	$ 0.35

The accompanying notes are an integral part of these consolidated financial statements.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent							
			Capital Surplus		Retained Earnings				
	Notes	Ordinary shares	Issued at a premium	Employee share options	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury stock	Total equity
2017									
Balance at January 1, 2017		$ 765,557	$ 1,764,524	$ 13,267	$ 17,758	$ 621,783	$ 91,996	$ -	$ 3,274,885
Profit for the year		-	-	-	-	28,531	-	-	28,531
Other comprehensive loss for the year		-	-	-	-	(2,213)	(266,537)	-	(268,750)
Total comprehensive income (loss) for the year		-	-	-	-	26,318	(266,537)	-	(240,219)
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	-	34,882	(34,882)	-	-	-
Cash dividends		-	-	-	-	(306,223)	-	-	(306,223)
Compensation cost of employee stock options	6(11)	-	-	8,279	-	-	-	-	8,279
Balance at December 31, 2017		$ 765,557	$ 1,764,524	$ 21,546	$ 52,640	$ 306,996	($ 174,541)	$ -	$ 2,736,722
2018									
Balance at January 1, 2018		$ 765,557	$ 1,764,524	$ 21,546	$ 52,640	$ 306,996	($ 174,541)	$ -	$ 2,736,722
Loss for the year		-	-	-	-	(21,950)	-	-	(21,950)
Other comprehensive income for the year		-	-	-	-	1,464	78,789	-	80,253
Total comprehensive income (loss) for the year		-	-	-	-	(20,468)	78,789	-	58,303
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	-	2,853	(2,853)	-	-	-
Cash dividends		-	-	-	-	(22,967)	-	-	(22,967)
Compensation cost of employee stock options	6(11)	-	-	3,514	-	-	-	-	3,514
Purchase of treasury shares	6(12)	-	-	-	-	-	78,789	(12,848)	(12,848)
Balance at December 31, 2018		$ 765,557	$ 1,764,524	$ 25,060	$ 55,493	$ 260,690	($ 95,752)	($ 12,848)	$ 2,762,724

The accompanying notes are an integral part of these consolidated financial statements.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated (loss) profit before income tax for the year		($ 49,639)	$ 227,892
Adjustments to reconcile consolidated (loss) profit before tax to net cash provided by (used in) operating activities			
Income and expenses having no effect on cash flows			
Expected credit losses	12(2)	7,086	-
Provision for bad debts	12(4)	-	(291)
Depreciation	6(5)(18)	36,046	36,236
Amortisation	6(18)	9,800	2,933
Gain on disposal of property, plant and equipment	6(16)	(205)	(801)
Interest expense	6(17)	30,589	22,873
Interest income	6(15)	(1,284)	(844)
Compensation cost of employee stock options	6(11)	3,514	8,279
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(71,322)	(26,456)
Other receivables		57,725	(2,212)
Prepayments		(28,585)	10,003
Inventories		687,255	(873,114)
Net changes in liabilities relating to operating activities			
Contract liabilities-current		2,241	-
Notes payable		(6,005)	4,699
Accounts payable		57,169	(66,178)
Other payables		(1,532)	2,332
Other payables-related parties		(15)	(43)
Provisions-current		(426)	16,910
Refund liabilities-current		(20,497)	-
Other current liabilities		(2,819)	1,968
Net defined benefit liability, non-current		(2,641)	776
Other non-current liabilities		(3,656)	17,392
Cash generated from (used in) operations		702,799	(617,646)
Interest received		1,284	844
Interest paid		(30,589)	(22,873)
Income tax paid		(15,659)	(111,820)
Net cash flows provided by (used in) operating activities		657,835	(751,495)

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COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		$ 336	$ 1,088
Acquisition of property, plant and equipment	6(5)	(25,549)	(25,398)
Acquisition of intangible assets		(7,207)	(57)
(Increase) decrease in refundable deposits		(1,437)	4,942
Net cash used in investing activities		(33,857)	(19,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		1,129,777	2,097,710
Decrease in short-term borrowings		(1,675,910)	(1,018,747)
Cash dividends paid	6(13)	(22,967)	(306,223)
Purchase of treasury shares	6(12)	(12,848)	-
Net cash (used in) provided by financing activities		(581,948)	772,740
Effect of exchange rate changes on cash and cash equivalents		103,835	(288,238)
Net increase (decrease) in cash and cash equivalents		145,865	(286,418)
Cash and cash equivalents at beginning of year		278,048	564,466
Cash and cash equivalents at end of year		$ 423,913	$ 278,048
Component of Cash and Cash Equivalents:			
Cash and cash equivalents on balance sheet	6(1)	$ 462,555	$ 348,475
Items defined as cash and cash equivalents under IAS No. 7	6(6)	(38,642)	(70,427)
Cash and cash equivalents at end of year		$ 423,913	$ 278,048

The accompanying notes are an integral part of these consolidated financial statements.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Coaster International Co., Ltd. (the "Company") was incorporated in Cayman Islands in August 2013. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in wholesale of furniture. The Company's shares were permitted to be publicly traded on August 4, 2016, and listed in the Taiwan Stock Exchange on September 26, 2016.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s) .

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Under IFRS 15, estimated sales returns and discounts are recognised as refund liabilities, different from provisions-current as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $89,768.

ii. Under IFRS 15, liabilities relating to sales contracts are recognised as contract liabilities, different from receipts in advance as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $48,664.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the ”modified retrospective approach”). On January 1, 2019, it is expected that right-of-use asset, rent payable-current (classified as other payables) and lease liability will be increased by $2,151,209, $2,334 and $2,304,913, respectively, and deferred rent liability, non-current (classified as other non-current liabilities) and retained earnings will be decreased by $77,856 and $78,182, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as indorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following item, the consolidated financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach and and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)	
Name of investor	Name of subsidiary	Main business activities	December 31, 2018	December 31, 2017
The Company	COA Inc.	Trading of furniture	100	100
The Company	COA Asia Inc.	Trading of furniture / purchasing service	100	100
The Company	CFS Global Inc.	Investment holding	100	100
COA Inc.	Deliverall Logistics, Inc.	Transportation service	100	100
COA Asia Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	Purchasing service	100	100
COA Asia Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	Investment holding	100	100
COA Asia Inc.	Ye Hey Taiwan Logistics Service Ltd.	Trading of furniture / purchasing service	100	100
COA Asia Inc.	Ye Hey Holding Co., Ltd.	Investment holding	100	100
Coaster Furniture (Asia) Service Holdings Ltd.	Coaster Furniture (KunShan) Advisory Ltd.	Purchasing service	100	100
Ye Hey Holding Co., Ltd.	Ye Hey (ShenZhen) Logistics Service Company	Warehouse and logistic service	100	100

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s functional currency is US Dollars; however, the consolidated financial statements are presented in New Taiwan Dollars under the regulations of the Republic of China where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Group classifies all non-compliant assets as no current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
   (a) Liabilities that are expected to be settled within the normal operating cycle;
   (b) Assets held mainly for trading purposes;
   (c) Liabilities that are to be settled within twelve months from the balance sheet date;
   (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

   The Group classifies all non-compliant liabilities as no current liabilities.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

B. Bank overdrafts which are repayable on demand form an integral part of the Group’s cash management are included within cash and cash equivalents in the consolidated statement of cash flows. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financial component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

A. Equipment is initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	50 years
Warehouse equipment	5~7 years
Transportation equipment	3~7 years
Office equipment	3~5 years
Leasehold improvements	4~9 years
Other equipment	3~9 years

(12) Leased assets / operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(13) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(16) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(18) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(19) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Defined benefit plans are pension plans that do not belong to defined contribution plans. Defined benefit plans usually assures the pension benefit amount when employees retire, and the amount normally depends on single or multiple factors, such as age, service duration and salary. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by market interest rates of government bonds (at the balance sheet date).

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' bonus and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings in Taiwan subsidiary.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company’s equity holders.

(24) Revenue recognition

A. The Group sells furniture and relative products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The furniture is often sold with volume discounts based on historical experiences. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances. A refund liability is recognised for expected volume discounts, sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. The Group’s obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(26) Convenience translation into US dollars

As described in Note 4(4), the Company maintains its accounting records and prepares its financial statements in US dollar. Therefore, the US dollar amounts disclosed in consolidated balance sheets and consolidated statements of comprehensive income are according to its book records.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Estimation of refund liabilities

Refund liabilities are the returns and discounts related to furniture sales. Sales allowance is mainly generated from sales through electronic commerce platform, which is calculated according to the discount rate and items on the contract. Sales return is estimated by historical expreience. The estimation of allowance estimates involves a high degree of uncertainly, as the terms, items and rates are varied with different ecommerce firms, and the calculation is subject to management's judgment, including expected percentage of allowance and expected sales. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

As of December 31, 2018, the Group recognised $71,739 of refund liabilities for sales returns.

B. Evaluation of inventories

The inventories are stated at the lower of cost and net realisable value. For the Group's inventories aged over a certain period, the net realisable value is calculated based on historical data of the degree of discounts required for inventory clearance. Therefore, there might be material changes to the actual sales in the future.

As of December 31, 2018, the carrying amount of inventories was $3,003,494.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 1,554	$ 1,704
Checking accounts and demand deposits	461,001	346,771
Total	$ 462,555	$ 348,475

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 623,857	$ 563,755
Less: Allowance for uncollectible accounts	(21,715)	(25,849)
	$ 602,142	$ 537,906

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 425,404	$ 424,290
Past due		
Up to 30 days	157,694	108,027
31 to 90 days	24,393	16,759
Over 90 days	16,366	14,679
	$ 623,857	$ 563,755

The above ageing analysis was based on past due date.

B. The abovementioned accounts receivable were pledged to the bank as collateral as described in Notes 6(6) and 8.

C. The Group does not hold any collateral.

D. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $602,142 and $537,906, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Other receivables

	December 31, 2018	December 31, 2017
Accounts receivable factoring not due yet	$ 223,674	$ 281,399
Others	1	1
	$ 223,675	$ 281,400

A. The Group entered into a factoring agreement with financial institutions to sell its accounts receivable, and the conditions of agreement are as follows:

(a) Every account receivable should be approved by financial institutions before factoring transaction. The financial institution is obligated to bear the default risk of the transferred accounts receivable, except for the losses incurred on any business dispute.

(b) The Group and financial institutions have agreed that financial institutions would collect accounts receivable and pay to the Group the transferred accounts receivable within a specific period of time after transfer date.

(c) Any interest of prepayments should be calculated at agreed interest rate.

The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable and recognised outstanding balance as other accounts receivable. The related information is as follows:

December 31, 2018				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Outstanding balance
Rosenthal & Rosenthal (Note)	$ 196,140	$ 196,140	$ -	$ -
Wells Fargo	27,534	27,534	-	-
	$ 223,674	$ 223,674	$ -	$ -

December 31, 2017				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Outstanding balance
Branch Banking & Trust	$ 260,170	$ 260,170	$ -	$ -
Wells Fargo	21,229	21,229	-	-
	$ 281,399	$ 281,399	$ -	$ -

Note: Rosenthal & Rosenthal acquired Branch Banking & Trust on January 31, 2018, so the object was changed to Rosenthal & Rosenthal.

B. The other receivables related to receivable factoring were pledged to banks as described in Notes 6(6) and 8.

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,192,540	($ 104,820)	$ 2,087,720
Inventory in transit	915,774	-	915,774
Total	$ 3,108,314	($ 104,820)	$ 3,003,494

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,396,184	($ 90,697)	$ 2,305,487
Inventory in transit	1,385,262	-	1,385,262
Total	$ 3,781,446	($ 90,697)	$ 3,690,749

A. The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 8,583,292	$ 8,247,153
Loss on decline in market value	11,181	470
Labor cost	100,448	102,944
	$ 8,694,921	$ 8,350,567

B. The abovementioned inventories were pledged as collateral for bank borrowings. Details are provided in Notes 6(6) and 8.

(5) Property, plant and equipment

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2018							
Cost	$ 12,875	$182,494	$ 55,538	$ 222,293	$ 111,789	$ 93,882	$ 678,871
Accumulated depreciation	(1,467)	(151,550)	(44,847)	(201,320)	(80,520)	(92,533)	(572,237)
	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
2018							
January 1	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
Additions	-	12,782	5,972	2,429	1,374	2,992	25,549
Disposals	-	(54)	-	-	(77)	-	(131)
Reclassifications	-	-	(49)	148	-	-	99
Depreciation charge	(245)	(13,520)	(5,375)	(7,318)	(7,731)	(1,857)	(36,046)
Net exchange	(275)	939	186	443	870	16	2,179
December 31	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284
December 31, 2018							
Cost	$ 12,557	$195,642	$ 62,738	$ 231,362	$ 116,330	$ 99,011	$ 717,640
Accumulated depreciation	(1,669)	(164,551)	(51,313)	(214,687)	(90,625)	(96,511)	(619,356)
	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2017							
Cost	$ 13,188	$200,433	$ 68,495	$ 242,026	$ 111,647	$ 101,993	$ 737,782
Accumulated depreciation	(1,252)	(161,109)	(53,849)	(211,721)	(83,173)	(99,819)	(610,923)
	$ 11,936	$ 39,324	$ 14,646	$ 30,305	$ 28,474	$ 2,174	$ 126,859
2017							
January 1	$ 11,936	$ 39,324	$ 14,646	$ 30,305	$ 28,474	$ 2,174	$ 126,859
Additions	-	8,991	2,883	373	12,582	569	25,398
Disposals	-	(191)	(96)	-	-	-	(287)
Depreciation charge	(242)	(13,958)	(6,014)	(7,555)	(7,228)	(1,239)	(36,236)
Net exchange	(286)	(3,222)	(728)	(2,150)	(2,559)	(155)	(9,100)
December 31	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
December 31, 2017							
Cost	$ 12,875	$182,494	$ 55,538	$ 222,293	$ 111,789	$ 93,882	$ 678,871
Accumulated depreciation	(1,467)	(151,550)	(44,847)	(201,320)	(80,520)	(92,533)	(572,237)
	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634

Information about the property, plant and equipment that were pledged to others as collateral is provided in Notes 6(6) and 8.

(6) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 805,465	3.88%~4.01%	Accounts receivable, other receivables, inventories and property, plant and equipment
Bank overdraft accounts	38,642	-	None
	$ 844,107		

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 1,318,769	2.87%~4.00%	Accounts receivable, other receivables, inventories and property, plant and equipment
Bank overdraft accounts	70,427	-	None
	$ 1,389,196		

The subsidiary, COA Inc., has signed a credit facility contract of US$55,000,000 with banks. Accounts receivable (including other receivables sold to banks), inventories, property, plant and equipment are pledged as collaterals. The amount that can be drawn is calculated based on a certain formula and amounts of accounts receivable, inventories and outstanding letters of credit. The following financial conditions are required for the credit facility contract:

A. Net tangible assets (total equity less intangible assets) shall not be lower than US$60,000,000 at the balance sheet date of every quarter.

B. The amount of total liabilities divided by net tangible assets may not exceed 1.5 times.

C. The interest protection multiples (profit before tax plus interest expense, depreciation and amortisation then divided by interest expense) shall not be lower than 3.5 times at the balance sheet date of each quarter (Note).

D. Acquisition of property, plant and equipment may not exceed US$5,000,000 annually.

E. Loans and advances to employees and accounts receivable due from affiliated entities in amounts not to exceed an aggregate of US 3,000,000 at any time.

Note: As of (i) December 31, 2018, determined on a trailing 3-month basis, (ii) March 31, 2019, determined on a trailing 6-month basis, (iii) June 30, 2019, determined on a trailing 9-month basis, (iv) September 30, 2019, determined on a trailing 12-month basis and (v) each fiscal quarter end thereafter, determined on a rolling 4-quarter basis.

(7) Other payables

	December 31, 2018	December 31, 2017
Salary and wages payable	$ 84,706	$ 89,763
Accrued expenses	75,523	65,436
Accrued employee insurance	15,447	33,282
Accrued royalty	16,333	8,270
Accrued sales commission	19,739	24,023
Others	116,798	109,304
	$ 328,546	$ 330,078

(8) Provisions-current

	Warranty	Sales returns and discounts	Total
2018			
At January 1	$ 61,697	$ 89,768	$ 151,465
Additional provisions	44,339	-	44,339
Used during the year	(44,765)	-	(44,765)
Reclassifications	-	(89,768)	(89,768)
Exchange differences	1,888	-	1,888
At December 31	$ 63,159	$ -	$ 63,159

	Warranty	Sales returns and discounts	Total
2017			
At January 1	$ 65,216	$ 82,331	$ 147,547
Additional provisions	45,449	162,906	208,355
Used during the year	(43,360)	(148,085)	(191,445)
Exchange differences	(5,608)	(7,384)	(12,992)
At December 31	$ 61,697	$ 89,768	$ 151,465

A. Warranty

The Group provides warranties on products sold. Provision for warranty is estimated based on historical warranty data of products.

B. Returns and discounts

Refund liabilities are the returns and discounts related to furniture sales. Sales discounts are mainly generated from sales through electronic commerce platform, which is calculated according to the discount rate and items on the contract. Sales returns are estimated based on historical experience.

C. Provisions for sales returns and discounts have been reclassified to refund liabilities in accordance with IFRS 15. Details are provided in Note 6(9).

(9) Refund liabilities-current

	Refund liabilities -current
2018	
At January 1	$ -
Adjustments under IFRS 15	89,768
Balance after adjustment as of January 1, 2018	89,768
Additional provisions	153,924
Used during the year	(174,421)
Exchange differences	2,468
At December 31	$ 71,739

Refund liabilities are the returns and discounts related to furniture sales. Sales discounts are mainly generated from sales through electronic commerce platform, which is calculated according to the discounts rate and items on the contract. Sales returns are estimated based on historical expreience.

(10) Pensions

A. Defined benefit plans

(a) Domestic subsidiaries apply defined benefit pension plan in accordance with the Labor Standards Act for its employees who have worked at other associates and whose years of service were admitted. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 25,044	$ 29,149
Fair value of plan assets	-	-
Net defined benefit liability	$ 25,044	$ 29,149

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
January 1, 2018	($ 29,149)	$ -	($ 29,149)
Interest expense	(360)	-	(360)
	(29,509)	-	(29,509)
Remeasurements:			
Change in demographic assumptions	(7)	-	(7)
Change in financial assumptions	(724)	-	(724)
Experience adjustments	2,561	-	2,561
	1,830	-	1,830
Paid pensions	2,635	-	2,635
December 31, 2018	($ 25,044)	$ -	($ 25,044)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
January 1, 2017	($ 26,160)	$ -	($ 26,160)
Interest expense	(323)	-	(323)
	(26,483)	-	(26,483)
Remeasurements:			
Experience adjustments	(2,666)	-	(2,666)
December 31, 2017	($ 29,149)	$ -	($ 29,149)

(d) The principal actuarial assumptions used for pension fund were as follows:

	2018	2017
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 724)	$ 752	$ 743	($ 719)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 872)	$ 907	$ 898	($ 868)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contribution to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to $0.

(f) As of December 31, 2018, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 652
1-2 year(s)	642
2-5 years	2,095
Over 5 years	24,400
	$ 27,789

B. Defined contribution plans

(a) The Company's domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on a certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2018 and 2017 was both 20%. Other than the monthly contributions, the Group has no further obligations.

(c) The Group's subsidiaries in Malaysia recognise related expense in accordance with the local pension regulations. Monthly contribution is based on 13% of the base salary, performance bonus and bonus.

(d) The Group has established a defined contribution pension plan (the "401(K) Plan"), covering all regular employees working in U.S. subsidiaries. Under the 401(K) Plan, employees contribute monthly an amount based on a certain percentage of the employees' monthly salaries and wages to the employees' individual pension accounts. The Group contributes at the same percentage as employees contributed while limited to 4%.

(e) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $30,431 and $26,057, respectively.

(11) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (Note 2)	Contract period	Vesting conditions
Employee stock options	2015/11/1	4,294 (units)	7 years	2~4 years' service (Note 1)

Note 1: Employee who has worked for 2 years reach 40% of vesting conditions while 3 years reach 70% and 4 years reach 100%.

Note 2: The number of shares covered by the option is 1,000 shares per unit.

Share-based payment arrangements mentioned above are equity-settled.

B. Details of the share-based payment arrangements are as follows:

	2018	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	3,749,000	$ 36.0
Options forfeited	(457,200)	36.0
Options outstanding at December 31	3,292,000	36.0
Options exercisable at December 31	2,304,000	36.0

	2017	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	4,254,000	$ 36.0
Options forfeited	(504,800)	36.0
Options outstanding at December 31	3,749,200	36.0
Options exercisable at December 31	1,597,600	36.0

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018		December 31, 2017	
Issue date approved	Expiry date	No. of shares (shares in thousands)	Exercise price (in dollars)	No. of shares (shares in thousands)	Exercise price (in dollars)
2015/11/1	2022/10/31	3,292	$ 36	3,749	$ 36

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of Arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015/11/1	27.41	36.0	40.70%	4.95 years	-	0.88%	7.60

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2018	2017
Equity-settled	$ 3,514	$ 8,279

(12) Share capital

A. As of December 31, 2018, the Company's authorized capital was $2,000,000, consisting of 200 million shares of ordinary shares, and the paid-in capital was $765,557 with a par value of $10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2018	2017
At January 1	76,555,696	76,555,696
Purchase of treasury shares	(500,000)	-
At December 31	76,055,696	76,555,696

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2018	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	500,000	$ 12,848

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in order of the following to be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting:

(a) Pay taxes as regulated;

(b) Offset prior years' operating losses (if any);

(c) The Company should appropriate 10% of the retained earnings as legal reserve, unless the legal reserve equals to paid-in capital of the Company;

(d) Appropriate special reserves as required by the competent authority; and

(e) Distributable retained earnings are calculated from current earnings less the total amount of (a) to (d) plus accumulated retained earnings of prior years. Distributable retained earnings could be distributed by the Board of Directors while taking profit, capital structure and future operations into consideration. The dividend policy should be adopted by the Board of Directors and resolved by the stockholders at the stockholders' meeting. Dividends can be distributed in the form of cash or stock. In order to comply with the laws of Cayman Islands, cash dividends should be distributed in the proportion of 10%~100% of total dividends.

B. On June 12, 2018, the stockholders resolved the appropriation of the 2017 earnings as follows:

	Amount (in dollars)	Earnings per share (in TWD)
Legal reserve	$ 2,853	
Cash dividends	22,967	$ 0.3
	$ 25,820	

C. On June 26, 2017, the stockholders resolved the appropriation of the 2016 earnings as follows:

	Amount (in dollars)	Earnings per share (in TWD)
Legal reserve	$ 34,882	
Cash dividends	306,223	$ 4
	$ 341,105	

D. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(19).

(14) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 12,013,456

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major categories and geographical regions:

Year ended December 31, 2018	US		All other segments	
	Furniture sales	Others	Furniture sales	Total
Timing of revenue				
At a point in time	$ 11,698,937	$ 82,706	$ 231,813	$ 12,013,456

B. Revenue recognised that was included in the contract liability balance at the beginning of the period is $48,664.

C. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(15) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Interest income	$ 1,284	$ 844
Recovery income	302	620
Gains on write-off of past due payable	1,785	-
Others	2,819	2,354
	$ 6,190	$ 3,818

(16) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Gain on disposal of assets	$ 205	$ 801
Net exchange gain (loss)	2,846	(6,450)
Anti-dumping duties	-	(12,738)
Others	(5,297)	(4,042)
	($ 2,246)	($ 22,429)

(17) Finance costs

	Years ended December 31, 2018	2017
Interest expense	$ 30,589	$ 22,873
Service charge on accounts receivable factoring	20,526	22,079
	$ 51,115	$ 44,952

(18) Expenses by nature

	Years ended December 31, 2018	2017
Employee benefit expense	$ 1,406,401	$ 1,474,510
Depreciation charges on property, plant and equipment	$ 36,046	$ 36,236
Amortisation charge	$ 9,800	$ 2,933
Rent expense	$ 596,162	$ 609,880

(19) Employee benefit expense

	Years ended December 31, 2018	2017
Wages and salaries	$ 1,199,743	$ 1,259,970
Labor and health insurance fees	105,271	115,412
Pension costs	30,791	26,380
Other personnel expenses	70,596	72,748
	$ 1,406,401	$ 1,474,510

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 1~15% for employees' compensation and not higher than 2% for directors' remuneration.

B. The Company did not accrue employees' compensation and directors' remuneration in 2018 due to loss incurred. For the year ended December 31, 2017, the Company accrued employees' compensation amounting to $2,325; while directors' remuneration was accrued at $2,325. The aforementioned amounts were recognised as salary expenses.

As resolved by the Board of Directors, the actual distribution of employees' compensation and directors' remuneration in 2017 amounted to $2,325 and $2,325, respectively. The employees' compensation was distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax (benefit) expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	($ 12,349)	$ 137,576
Tax on undistributed retained earnings	1,195	1,015
Prior year income tax (over) underestimation	(2,111)	539
Total current tax	(13,265)	139,130
Deferred tax:		
Origination and reversal of temporary differences	(13,488)	(112,218)
Impact of change in tax rate	(936)	172,449
Total deferred tax	(14,424)	60,231
Income tax (benefit) expense	($ 27,689)	$ 199,361

B. Reconciliation between income tax (benefit) expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (Note)	($ 29,137)	$ 75,493
Effect of non-deductible expenses or accounted as tax-exempt income as regulated in tax laws	13,741	(8,990)
Change in assessment of realisation of deferred tax assets	-	3,648
Taxable loss	(1,406)	(47,807)
Prior year income tax (over) underestimation	(2,111)	539
Tax on undistributed earnings	1,195	1,015
Impact of change in the tax rate on temporary differences between current year and the year realised	(8,797)	1,570
Separate taxation	664	2,331
Effect of changes in tax regulation	(936)	172,449
Others	(902)	(887)
Income tax (benefit) expense	($ 27,689)	$ 199,361

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Deferred tax assets:					
-Temporary differences					
Pension expense	$ 4,955	$ 419	($ 366)	$ 1	$ 5,009
Allowance for bad debts	6,295	(1,019)	-	179	5,455
Unrealised sales return and discounts	21,860	(4,447)	-	608	18,021
Valuation allowance in inventories	36,329	4,687	-	1,181	42,197
Deferred cost of sale	119,399	(25,083)	-	3,314	97,630
Depreciation and amortisation	12,751	4,589	-	455	17,795
Unrealised expense	72,095	(19,151)	-	1,941	54,885
Unrealised exchange loss	169	-	-	(169)	-
-Tax losses	-	54,743	-	768	55,511
	273,853	14,738	(366)	(8,278)	296,503
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	-	(351)	-	169	(182)
Book-tax difference on property, plant and equipment	(37)	37	-	-	-
	(37)	(314)	-	169	(182)
	$ 273,816	$ 14,424	($ 366)	$ 8,447	$ 296,321

	2017				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Deferred tax assets:					
-Temporary differences					
Pension expense	$ 4,447	$ 55	$ 453	$ -	$ 4,955
Allowance for bad debts	11,308	(4,154)	-	(859)	6,295
Unrealised sales return and discounts	30,999	(6,666)	-	(2,473)	21,860
Valuation allowance in inventories	55,910	(15,198)	-	(4,383)	36,329
Deferred cost of sale	130,866	(327)	-	(11,140)	119,399
Depreciation and amortisation	23,590	(9,056)	-	(1,783)	12,751
Unrealised expense	105,800	(25,342)	-	(8,363)	72,095
Unrealised exchange loss	-	181	-	(12)	169
	362,920	(60,507)	453	(29,013)	273,853
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	(195)	183	-	12	-
Book-tax difference on property, plant and equipment	(130)	93	-	-	(37)
	(325)	276	-	12	(37)
	$ 362,595	($ 60,231)	$ 453	($ 29,001)	$ 273,816

D. Expiration dates of subsidiaries' unused net operating loss carry forward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2018	$ 55,511	$ 55,511	$ -	Note

December 31, 2017				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2012	7,053	1,474	1,474	2017
2017	144	144	144	2022

Note: Pertains to tax losses incurred by a US subsidiary. In accordance with current tax law, those incurred after January 1, 2018 have no expiry date.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(21) Earnings (loss) per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic earnings per share			
Loss attributable to ordinary shareholders of the parent	($ 21,950)	76,225	($ 0.29)

Note: Since the Company had net loss in 2018, the inclusion of potential ordinary shares will have an anti-dilution effect, only the basic loss per share calculation is included.

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 28,531	76,556	$ 0.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	28,531	76,556	
Assumed conversion of all dilutive potential ordinary shares			
Employee share options	-	3,749	
Employees' bonus	-	72	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 28,531	80,377	$ 0.35

(22) Changes in liabilities from financing activities

	Short-term borrowings
At January 1, 2018	$ 1,318,769
Changes in cash flow from financing activities	(546,133)
Impact of changes in foreign exchange rate	32,829
At December 31, 2018	$ 805,465

Note: The short-term borrowings listed above do not include bank overdraft.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Yeh Family Limited Partnership (Yeh Family)	Entities controlled by key management personnel
MISA LLC (MISA)	Entities controlled by key management personnel
Yeh International Service Corporation	Entities controlled by key management personnel
Yeh cayman International Business Copporation	Entities controlled by key management personnel
Coaster Furniture (ShenZhen) Ltd.	Entities controlled by key management personnel
Michael Yeh	Key management

(2) Significant related party transactions

A. Rent expense:

	Years ended December 31,	
	2018	2017
MISA	$ 142,748	$ 146,340
Yeh Family	33,415	32,897
Others	16,432	14,508
	$ 192,595	$ 193,745

Rent paid to related parties is approximately the same with third parties. The lease period with MISA is 5 years; the lease period with Yeh Family is 8 years; and the lease periods with other related parties are 1~3 years. The abovementioned rent is paid monthly.

B. Payables to related parties:

	December 31, 2018	December 31, 2017
Other accounts payable:		
Coaster Furniture (ShenZhen) Ltd.	$ 1,734	$ 1,749

The above pertains to the rent payable to related parties.

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and bonus	$ 131,275	$ 137,972
Pensions	4,683	5,653
Share-based payments	2,318	6,227
	$ 138,276	$ 149,852

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Accounts receivable	$ 558,119	$ 506,869	
Other receivables	223,674	281,399	Guarantee for bank credit facility along with asset items in the left column
Inventories	3,001,853	3,684,144	
Property, plant and equipment	76,978	82,076	
	$ 3,860,624	$ 4,554,488	

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The future aggregate minimum lease payables under non-cancellable operating leases agreements are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 594,422	$ 467,009
Later than one year but not later than five years	1,753,878	1,076,248
Later than five years	190,797	244,944
	$ 2,539,097	$ 1,788,201

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within 0% to 50%. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 844,107	$ 1,389,196
Less: Cash and cash equivalents	(462,555)	(348,475)
Net debt	381,552	1,040,721
Total equity	2,762,724	2,736,722
Total capital	$ 3,144,276	$ 3,777,443
Gearing ratio	12%	28%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 462,555	$ 348,475
Accounts receivable	602,142	537,906
Other receivables	223,675	281,400
Guarantee deposits paid	44,555	43,118
	$ 1,332,927	$ 1,210,899

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 844,107	$ 1,389,196
Notes payable	1,491	7,496
Accounts payable	662,237	605,068
Other accounts payable (including related parties)	330,280	331,827
	$ 1,838,115	$ 2,333,587

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the CAD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

(iii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: local currency). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 411	0.7337	$ 9,208

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 813	0.7989	$ 19,252

(iv) Please refer to the following table for the details of unrealised exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group:

	Year ended December 31, 2018		
	Exchange (loss) gain		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD		0.7337	($ 2,460)

	Year ended December 31, 2017		
	Exchange (loss) gain		
Financial assets	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Monetary items			
CAD：USD		0.7989	($ 1,502)

(v) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
CAD：USD	1%	$ 92	$ -

	Year ended December 31, 2017		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
CAD：USD	1%	$ 193	$ -

ii. Cash flow and fair value Interest rate risk

(i) The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in US Dollars.

(ii) If the borrowing interest rate of US dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $805 and $1,319, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms and the contract cash flows.

ii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group classifies customer’s accounts receivable in accordance with customer types. The Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2018, the Group did not have written-off financial assets that are still under recourse procedures.

vi. Accounts receivable of the Group are divided into: customers whose transactions are through credit cards and normal credits that are underwritten by financial institutions or undertaken by the Group.

(i) When the customer defaults, the credit loss associated with payments collected by the credit card company and with accounts underwritten by the financial institution will be borne by the financial institution. As of December 31, 2018, the book values of accounts receivable and impairment provision are $496,360 and $0, respectively.

(ii)The Group used the forecastability to adjust historical and timely information to assess the allowance loss for accounts receivable that are not underwritten by financial institutions and those from normal credits customers. As of December 31, 2018, the provision matrix is as follows:

	Not past due	Past due within 30 days	Up to 30 days past due
At December 31, 2018			
Expected loss rate	0.88%~10.74%	5.25%~12.50%	34.65%~57.49%
Total book value	$ 86,068	$ 21,598	$ 5,951
Loss allowance	2,640	2,178	3,035

	Up to 60 days past due		Up to 90 days past due		Total
At December 31, 2018					
Rate	98.63%~99.42%		100%		
Total book value	$ 2,724	$	11,156	$	127,497
Loss allowance	2,706		11,156		21,715

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2018
At January 1_IAS 39	$ 25,849
Adjustments under new standards	-
At January 1_IFRS 9	25,849
Provision for impairment	7,086
Write-offs	(11,946)
Effect of foreign exchange	726
At December 31	$ 21,715

For provisioned loss in 2018, the impairment losses arising from customers' contracts are $7,086.

viii. Credit risk information for 2017 is provided in Note 12(4)

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2018			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings (Note)	$ 846,740	$ -	$ -	$ -
Notes payable	1,491	-	-	-
Accounts payable	662,237	-	-	-
Other payables	330,280	-	-	-

	December 31, 2017			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings (Note)	$ 1,393,865	$ -	$ -	$ -
Notes payable	7,496	-	-	-
Accounts payable	605,068	-	-	-
Other payables	331,827	-	-	-

Note: Represents total contract liability for repayment in the future so that includes interest expense for the period.

(3) Fair value information

A. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable, other receivables, guarantee deposits, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

B. The Group does not engage in transactions in financial instruments measured at fair value.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

(a) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term cost accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

B. Credit risk information for the year ended December 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The Group’s accounts receivable that were neither past due nor impaired was in the following categories based on the Group’s Credit Quality Control Policy:

	December 31, 2017
Group 1	$ 6,821
Group 2	37,075
Group 3	380,394
	$ 424,290

Note:

Group 1: Customers whose transactions are through credit cards.

Group 2: Customers whose transactions are through normal credit control.

Group 3: Customers’ accounts receivable have been included in accounts receivable insurance

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 108,027
31 to 90 days	16,759
Over 91 days	14,679
	$ 139,465

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group’s accounts receivable that was impaired amounted $0.

ii. Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 30,032	$ 30,032
Reversal for impairment	-	(291)	(291)
Write-offs during the period	-	(1,375)	(1,375)
Effects of foreign exchange	-	(2,517)	(2,517)
At December 31	$ -	$ 25,849	$ 25,849

(5) Effects on initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

i. The Group manufactures and sells furniture products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

ii.The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

(b) Sales of services

The Group provides transportation and purchase of furniture service. Revenue from service is recognised under the completion of services provided. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31,2017
Sales revenue	$ 11,829,368
Service revenue	83,674
	$ 11,913,042

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

(a) Balance sheet items

Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. The amount is $50,905 as of December 31, 2018. The liabilities in relation to sales returns and discounts are recognised as refund liabilities, but were previously presented as provisions in the balance sheet. The amount is $71,739 as of December 31, 2018.

(b) Comprehensive income statement items

There is no impact on the current comprehensive income statement.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

The Group only operates wholesale of furniture. The chief operating decision maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

A. The Group's operating segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

B. The revenue from external customers and its financial information reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the consolidated statement of comprehensive income.

(3) Reconciliation for segment income (loss)

The segment assets, liabilities and net profit (loss) after tax reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the balance sheet and statement of comprehensive income, thus, no reconciliation is needed.

(4) Information on products and services

Revenues from external customers mainly come from wholesale of furniture. Service revenues mainly come from purchase and transportation of furniture and related services.

Details of revenue balance are as follows:

	Years ended December 31,	
	2018	2017
Revenue from sale of furnitures	$ 11,930,750	$ 11,829,368
Service revenue	82,706	83,674
	$ 12,013,456	$ 11,913,042

(5) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended and as at December 31, 2018		Year ended and as at December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
United States	$ 11,781,643	$ 112,942	$ 11,748,155	$ 120,149
Others	231,813	28,548	164,887	21,994
	$ 12,013,456	$ 141,490	$ 11,913,042	$ 142,143

Note: Non-current assets do not include financial instruments and deferred tax assets.

(6) Major customer information

The Group's operating revenue from individual external customers for the years ended December 31, 2018 and 2017 did not exceed 10% of the consolidated net operating revenue.

Coaster International Co., Ltd. and Subsidiaries

Loans to others

Year ended December 31, 2018

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 1

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	Coaster International Co., Ltd.	COA, Inc.	Other receivables	Yes	$ 243,440	$ 91,650	$ 61,100	2.42%	Short-term financing	$ -	Operational needs	$ -	-	$ -	$ 1,105,090	$ 1,105,090	Note 1
0	Coaster International Co., Ltd.	COA Asia, Inc.	Other receivables	Yes	91,650	91,650	-	2.42%	Short-term financing	-	Operational needs	-	-	-	1,105,090	1,105,090	Note 1
2	COA Asia, Inc.	COA, Inc.	Other receivables	Yes	152,750	152,750	61,113	2.18%	Short-term financing	-	Operational needs	-	-	-	395,599	395,599	Note 2

Note 1 ：According to the company's "Procedures for Provision of Loans", ceiling on each and total loans granted to other company for short-term financing is 40% of net asset of the Company.

Note 2 ：According to the company's "Procedures for Provision of Loans", ceiling on each and total loans granted to entity in the Group for short-term financing is net asset of the Company.

Note 3：Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).

Coaster International Co., Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

Only significant transactions exceeding NT$8 million are disclosed

Year ended December 31, 2018

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

				Transaction			
No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	COA, Inc.	COA Asia, Inc.	3	Commission expense	$ 56,881	Negotiated by both parties	0.47%
1	COA, Inc.	Ye Hey (ShenZhen) Logistics Service Company	3	Commission expense	41,075	Negotiated by both parties	0.34%
1	COA, Inc.	Ye Hey Taiwan Logistics Service Ltd.	3	Commission expense	52,308	Negotiated by both parties	0.44%
1	COA, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	3	Commission expense	18,551	Negotiated by both parties	0.15%
1	COA, Inc.	Coaster Furniture (KunShan) Advisory Holdings Ltd.	3	Commission expense	18,076	Negotiated by both parties	0.15%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to December 31, 2018 (USD 1 : TWD 30.1274), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).

Coaster International Co., Ltd. and Subsidiaries

Information on investees

Year ended December 31, 2018

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
Coaster International Co., Ltd.	COA, Inc.	United States	Furniture trading	$ 2,160,227	$ 2,160,227	79,109,865	100.00	$ 2,283,928	($ 89,453)	($ 89,453)	
				(USD 72,398 thousand)	(USD 72,398 thousand)						
Coaster International Co., Ltd.	COA Asia, Inc.	Cayman Islands	Furniture trading/ Purchase service	104,052	104,052	1,000	100.00	395,599	104,283	104,283	
				(USD 3,349 thousand)	(USD 3,349 thousand)						
Coaster International Co., Ltd.	CFS Global Inc.	Cayman Islands	Investment holding	66,023	66,023	100	100.00	2,279	(86)	(86)	
				(USD 1,847 thousand)	(USD 1,847 thousand)						
COA, Inc.	Deliverall Logistics, Inc.	United States	Transportation service	25,280	25,280	100	100.00	34,134	1,768	1,768	
				(USD 800 thousand)	(USD 800 thousand)						
COA Asia, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	Malaysia	Purchase service	2,978	2,978	324,603	100.00	16,129	(655)	(655)	
				(MYR 320 thousand)	(MYR 320 thousand)						
COA Asia, Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	Hong Kong	Investment holding	17,424	17,424	150,000	100.00	8,057	(807)	(807)	
				(USD 600 thousand)	(USD 600 thousand)						
COA Asia, Inc.	Ye Hey Taiwan Logistics Service Ltd.	Taiwan	Furniture trading/ Purchase service	3,000	3,000	300,000	100.00	54,591	18,149	18,149	
COA Asia, Inc.	Ye Hey Holding Co., Ltd.	Hong Kong	Investment holding	10,432	10,432	350,000	100.00	139	(2,084)	(2,084)	
				(USD 350 thousand)	(USD 350 thousand)						

Note: Amounts denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to December 31, 2018 (USD 1 : TWD 30.1274), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).

Coaster International Co., Ltd. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 4

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Coaster Furniture (KunShan) Advisory Ltd.	Furniture trading/ Purchase service	$ 17,424 (USD 600 thousand)	2	$ -	$ -	$ -	$ -	$ 1,084	100.00	$ 1,084	$ 18,008	$ -	Invested by Coaster Furniture (Asia) Service Holdings Ltd.
Ye Hey (ShenZhen) Logistics Service Company	Warehousing and transportation service	10,432 (USD 350 thousand)	2	-	-	-	-	459	100.00	459	11,051	-	Invested by Ye Hey Holding Co., Ltd.

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Reinvested in the investee in Mainland China through investing in an existing company in the third area.

(3) Others

Note 2: Investment income (loss) current was recognised in the financial statements that are audited and attested by parent company's CPA.

Note 3: Amounts denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to December 31, 2018 (USD 1 : TWD 30.1274), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).